

UNITED STATES INTERNATIONAL TRADE COMMISSION

APPAREL INPUTS IN “SHORT SUPPLY”: CRUSHED PANNE VELOUR FABRICS

Investigation No. 332-428-003

April 2001



Apparel Inputs in “Short Supply”: Effect of Providing Preferential Treatment to Apparel Imported from Sub-Saharan African and Caribbean Basin Countries

U.S. International Trade Commission Investigation No. 332-428-003¹

Products	Apparel of crushed panne velour fabrics
Requesting Party	Granada Sales Corporation, New York, NY
Commission Report to: USTR Public	April 23, 2001 April 27, 2001
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THIS REPORT IS A PUBLIC VERSION OF THE REPORT SUBMITTED TO THE PRESIDENT ON APRIL 23, 2001. ALL CONFIDENTIAL BUSINESS INFORMATION HAS BEEN REMOVED AND REPLACED WITH "****."

Summary of Findings

The Commission's analysis shows that granting duty-free and quota-free treatment to U.S. imports of apparel made in eligible Caribbean Basin Countries from certain crushed panne velour fabrics, regardless of the source of the fabrics, would likely have some adverse effect on U.S. producers of similar fabrics, U.S. producers of apparel made from the subject imported and domestic fabrics, and their workers. U.S. consumers would likely benefit from some of the duty savings resulting from the proposed preferential treatment.

Background

On March 14, 2001, following receipt of a request from the United States Trade Representative (USTR), the Commission instituted investigation No. 332-428, *Apparel Inputs in “Short Supply”: Effect of Providing Preferential Treatment to Apparel from Sub-Saharan African and Caribbean Basin Countries*, under section 332 (g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)) to provide advice during 2001 in connection with petitions filed by interested parties under the “short supply” provisions of the African Growth and Opportunity Act (AGOA) and the United States-Caribbean Basin Trade Partnership Act (CBTPA).²

The Commission's advice in this report concerns a petition received by the Committee for the Implementation of Textile Agreements (CITA) on March 6, 2001, alleging that certain crushed panne velour fabrics cannot be supplied by the domestic industry in commercial quantities in a timely manner and requesting that the President proclaim preferential treatment for apparel articles made in eligible CBTPA beneficiary countries from such fabrics, regardless of the source of the fabrics. The President is required to submit a report to the House Ways and Means and Senate Finance Committees that sets forth the action proposed to be proclaimed, the reasons for such action, and the advice obtained from the Commission and the appropriate advisory committee within 60 days after a request is received from an interested party.³

¹ Commissioner Marcia E. Miller did not participate in this review.

² For more information on the investigation, see the Commission's notice of investigation published in the *Federal Register* of March 21, 2001 (66 F.R. 15886), as well as the special area on its Internet site for the investigation (www.usitc.gov/332s/shortsup/shortsupintro.htm).

³ In Executive Order No. 13191, the President delegated to CITA the authority to determine whether particular fabrics or yarns cannot be supplied by the domestic industry in commercial quantities in a timely manner. He authorized CITA and USTR to submit the required report to the Congress.

Brief discussion of products

The fabrics named in the petition are crushed panne velour fabrics classified in subheading 6001.92.00 (statistical reporting number 6001.92.0030) of the Harmonized Tariff Schedule of the United States (HTS), specifically knitted or crocheted velour fabrics (other than “long pile” and looped pile fabrics) of man-made fibers, weighing not more than 271 grams per square meter.⁴ The subject fabrics are closely-napped velvet-like fabrics having a rich, shiny, and silky look and feel. The fabrics are used in such apparel as loungewear, nightwear, dressing gowns, tops, and pants, mostly for women.⁵ These knitted garments are classified in HTS chapter 61, which covers articles of apparel and clothing accessories, knitted or crocheted. The rates of duty on the subject knitted or crocheted apparel articles range from 16.3 percent to 32.8 percent ad valorem.

The petition states that the subject fabrics are circular-knit crushed panne velour fabrics that are finer and brighter and have greater stretchability and draping qualities than the warp-knit panne velour fabrics produced by U.S. firms.⁶ In circular knitting, fabric is produced in the form of a tube, with a yarn or thread running continuously around the fabric. Warp knitting involves yarns running lengthwise through the fabrics, with one or more yarns for each needle. U.S. producers of the warp-knit fabrics state that the term “crushed” describes the surface finishing treatment and that this treatment can be imparted into the fabrics during the pre- or post-dyeing and finishing processes.⁷

Some uncertainty exists as to the substitutability of the circular-knit velour fabric with the warp-knit velour fabric. Although the petitioner emphasizes that circular-knit panne velour fabrics are not substitutable with warp-knit panne velour fabrics, most U.S. producers of warp-knit velour fabrics state that the two fabrics are substitutable for one another.⁸ In its submission to CITA, Lee Fashions—a U.S. producer of warp-knit velour fabrics—also indicated that “fabric can be supplied by the domestic industry in commercial quantities in a timely manner which is substitutable for the intended use.”⁹ Industry sources also differ as to the cost differences between the two types of velour fabrics, with some stating that the warp-knit fabrics generally sell for approximately twice the price of the imported circular-knit fabrics, and another industry source emphasizing that, in general, warp-knit velour fabrics may be priced competitively with the imported circular knit fabrics.¹⁰ Although official statistics on U.S. imports of the subject fabrics are not separately available, it is believed that the imported fabrics come almost entirely from Taiwan and Korea. In conclusion, many variations of circular-knit and warp-knit crushed panne velour fabrics may be manufactured depending upon many factors, including the type of fibers and the yarn size used. Within these ranges of types of velour fabrics, some may be substitutable and some may not.

Brief discussion of affected U.S. industries, workers, and consumers

The Commission staff contacted three U.S. firms that either currently produce, or had produced, the warp-knit panne velour fabrics for apparel—Fab Industries, Guilford Mills, and Lee Fashions. Fab Industries stated that it produces about *** yards of the warp-knit panne velour fabrics each week and that it has the capacity to expand production. Guilford Mills said that it closed its warp-knit apparel fabric facilities in September 2000 because of unfavorable market conditions as well as intense import competition and pricing pressures from Asian exporters. Guilford Mills stated that it currently produces

⁴ For the purpose of the statistical reporting number 6001.92.0030, the term “velour” refers to fabrics containing 12 or more stitches per centimeter in the vertical direction (see statistical note 1 to chapter 62). The fabrics named in the petition cover only a small, but unknown portion of all fabrics that are classified in the statistical reporting number 6001.92.0030.

⁵ Official U.S. statistics on imports and domestic production of apparel made from the subject fabrics are not separately reported.

⁶ Most industry sources stated that circular knit velour fabrics are no longer produced domestically, although a few sources were uncertain. Commission staff was unable to locate any domestic producers of the circular knit velour fabrics.

⁷ Officials of Fab Industries, New York, NY; Guilford Mills, Greensboro, NC; Lee Fashions, New York, NY; and KoSa, Shelby, NC, telephone interviews by Commission staff, Mar. 28 and 29, 2001, and Apr. 2, 2001.

⁸ Officials of Fab Industries, New York, NY, and Lee Fashions, New York, NY; telephone interviews by Commission staff, Mar. 29, 2001, and Apr. 16, 2001.

⁹ Regina Conroy-Keller, Executive Vice President, Lee Fashion Fabrics, New York, NY, written submission to CITA, Mar. 21, 2001.

¹⁰ Officials of Alaska Textiles, New York, NY; Fab Industries, New York, NY; and Lee Fashion Fabrics, New York, NY; telephone interviews by Commission staff, Mar. 19, 2001, Mar. 29, 2001, and Apr. 16, 2001.

crushed velvets for the automotive and home furnishings industries. Lee Fashions stated that most of its panne velour fabrics for apparel are “not crushed” because currently there is not a strong demand for such apparel fabrics. Lee Fashions indicated that it sells all of its apparel panne velour fabrics domestically and that it buys domestically-made specialized yarns from manmade-fiber producers KoSa and Celanese.

Information on U.S. producers of apparel made from the subject fabrics is not readily available given the range of apparel articles involved and ***. One U.S. producer of girls’ apparel made from U.S.-made warp-knit panne velour fabrics stated that it does not know how the proposed preferential treatment would affect its production of such garments.¹¹

Views of interested parties

No written statements were filed with the Commission.

Probable economic effect advice¹²

The Commission’s analysis shows that granting duty-free and quota-free treatment to U.S. imports of apparel made in eligible CBTPA beneficiary countries from the subject crushed panne velour fabrics, regardless of the source of such fabrics, would likely have some adverse effect on U.S. producers of warp-knit panne velour fabrics and their workers. U.S. producers manufacturing apparel of the subject fabrics in CBTPA beneficiary countries would likely expand their imports of the circular-knit fabrics. The expected increase in imports of the subject fabrics would likely displace some U.S. production of the warp-knit fabrics. The extent to which this displacement occurs depends upon the substitutability of the imported circular-knit fabrics with the domestic warp-knit fabrics in terms of appearance and quality as perceived by the final U.S. consumer relative to the price differences.

The proposed preferential treatment would likely benefit U.S. and other apparel producers that assemble apparel in eligible CBTPA beneficiary countries from the subject fabrics. The expected increase in imports of such apparel from the CBTPA countries would mostly displace imports of similar apparel entering free of duty from Mexico under the North American Free Trade Agreement and dutiable imports from Asian countries. However, the proposed preferential treatment would likely have some adverse effect on U.S. firms making the garments domestically and on their workers; it also could spur U.S. apparel firms to move more assembly operations to the CBTPA countries.

U.S. consumers of apparel made from the subject fabrics would benefit from the proposed preferential treatment because importers are likely to pass on some of the duty savings to final consumers in today’s highly competitive apparel market. In addition, consumers may benefit from having access to a wider range of apparel articles made from the subject fabrics.

¹¹ U.S. industry official, telephone interview by Commission staff, Apr. 10, 2001.

¹² The advice below is based on information currently available to the Commission.